



*A Work Project, presented as part of the requirements for the Award of a
Masters Degree in Management from the
Nova School of Business and Economics*

PRIMERA RESERVOIR LTD. STRATEGIC POSITION ANALYSIS

CANDIDATE

Daniela Carolina
Gonzalez Rios, # 1834

A project carried out on the strategy course under the supervision of:
Prof. Emanuel Gomes

ACADEMIC YEAR 2014/2015

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PRIMERA RESERVOIR LTD. STRATEGIC POSITON

ABSTRACT

The purpose of this work is to understand the internal and external structure in which the company operates to provide an idea of the strategic actions needed to accomplish their organizational objectives. A strategic software was employed to build up phase one and phase two, phase one involved analysing internal and external factors that influence the company, comprehending their core competences, factors that influence the market and identification of strengths and weaknesses. Phase two consisted on providing an idea of their real competitive position and the suggestion of a development strategy, given the possible limitations in the external factors, the company should carefully analyse some of the opportunities present in the industry overseas to continue to develop their business and increase its profitability. Furthermore, a source of competitive advantage was found in their outbound logistics which could serve a differentiator between their competitors.

Keywords: strategic position, competitive advantage, business life cycle, porter's five forces, core competences, oil consultancy service

1. INTRODUCTION

Nowadays, more professionals from the field of business management are aware of the importance of having to think of strategy to construct and redirect the future of the organizations. It is important to design strategic actions and plans to help achieve organizational goals. Andrews (1987) defined the concept of strategy as a pattern of decisions in a company that determines and reveals the objectives, purposes or goals.

The aim of this work project is to help Primera Reservoir LTD understand its strategic position and current strategies, and to provide recommendations in terms of the choices they make in these aspects in the future. This study is designed to assess strategic position as a way of improving organizational performance that would enhance their development and help identify core competences used to build up a competitive advantage. There is the need to explore and define company's position to identify further actions to be taken to cope with their mission.

This search will be composed of two parts; the first one will expose the internal and external factors that surround the company, making use of specific frameworks to help determine the company's industry life cycle, strategic group analysis, competences and unique resources. Then, a SWOT Analysis will be performed to facilitate the identification of potential strategic actions to be taken based on the external strengths, internal weaknesses, opportunities and threats of the company.

Then, the methodology used in the work project will be described explaining the software tool applied and the information gained through voluntary interviews with the CEO and employees. Finally, conclusions will be provided in order to contribute to the development of their organizational purposes and objectives.

2. LITERATURE REVIEW

2.1 Strategic Planning

Strategic planning is a useful tool employed at the different stages of the strategic management process in organizations. Powell (1992) examined positive planning performance relationship to define the effect on long range planning and organizational performance. The empirical research highlighted that the impact of isolating mechanisms does not protect strategic planning from competitive imitation, given that economically valuable strategic factors are imitable and substitutable. These factors are used to focus on the available resources and ensure employees are working towards common goals, rather than planning as a way of guaranteeing the organization's profitability. Nonetheless, adjusting the organization's direction in response to a changing environment is also very important.

This view therefore, emphasizes the purpose of this tool as to anticipate and understand certain risks embedded with the business environment and thinking of possible scenarios would give the opportunity to identify future events and take actions planned in advance. More importantly, organizations should be prepared, know the arena in which they are playing to understand the risks, internal and external opportunities. If an organization does not consider planning as part of their strategy they are failing to anticipate to certain events that might occur in the future, creating competence's disadvantages.

Given the challenges organizations face in industries, it is more common to observe companies designing competitive strategies to remain demanded in the market. Porter (1985) argues that competitive strategy is emphasising the relevance about competitive position, differentiating an organization in the eyes of the customer and

adding value through a mix of activities different from those used by competitors. This perception is creating more responsiveness in organizations aiming at new inventions and creative business ideas that would establish differences in their core business. As a result, a more productive organization that generates satisfaction, prepared to develop strategic planning to better establish a competitive strategy that can be sustained over the time.

2.2 Competitive advantage

The business environment is always evolving and is demanding more capabilities for the CEO's to stay committed to organizational challenges. It is very important for organizations to be able to identify a unique valuable resource that can differentiate from competitors. According to Porter (1985) competitive advantage is about uniqueness, about creating strategies that cannot be easily replicated by competitors. Developing competitive advantage highlights the importance of identifying organizational core competences in the value chain framework's primary activities. Can an organization perform better than the average in its current industry? If an organization is able to identify what is best at, it can also try to sustain competitive advantage to provide a unique mix of value that is difficult to imitate would enable it to attract customer's loyalty, overcome competition and gain market share in the industry where it operates. Therefore it is interesting to further analyze Primera Reservoir LTD from their strategic actions point of view, in order to apply these concepts that would contribute to a better understanding and the suggestion of best possible practices and actions to be taken.

3. METHODOLOGY

3.1 Unit of Analysis

In this investigative search will be introduced a start-up subsurface consulting company called Primera Reservoir LTD, founded in September 2013. It operates in the United Kingdom and provides four kinds of services with solutions focused on upstream exploration and production of high-end workflows. These solutions are: Reservoir simulation and integrated asset modelling (IAM), uncertainty analysis, decision analysis and professional training. Their aim is to integrate static and dynamic modelling for accurate uncertainty analysis, reserves reporting and reservoir management. Primera Reservoir LTD combines individuals from a range of upstream disciplines that are highly competent users of different commercial reservoir simulators. This company has been chosen with the purpose of helping them understand its strategic position and current strategies, and to provide recommendations in terms of its future growth strategy. It is very important to identify all those strategic aspects before an organization decides to drive their company to a certain direction. It is an interesting case that brings together challenges in the external factors and also opportunities in terms of growth.

3.2 Data collection

There are different strategies employed on identifying the best possible choice to conduct the research, this can be case study, surveys, experiments, action research; among others. The research philosophy employed in this project was through the use qualitative techniques which consisted on preparing questions to the employees of the company. The research questions were addressed using the data collected through structure, semi-structure and in-depth interviews with the CEO. The questions were prepared on the basis of the literature review, the strategic planning software and

qualitative data. Moreover, the use of complementary articles and journals also provided very important information when developing the strategic group analysis and the industry life cycle. During the interviews, expectations of the CEO were exposed to create an idea of their plans and desires of the future direction of the company; this was in order to examine feelings, aspirations and point of view with regards to the company and all the external factors that are involved.

The technological tool employed called *Strategic Planning Software* contributed to the data collection and the analysis of all the relevant information to develop phase I which comprises the internal and external analysis of the company; capabilities, expectations, opportunities and challenges. Phase II covered the formulation of the strategy and methods of development. Moreover, the use of the software also involved the utilization of some useful frameworks. A PEST was carried out to give an overview of the political, economic, social and technological factors that influence the organization. Furthermore, the Value Chain Analysis framework provided an idea of the core competences that allow organizations to create their competitive advantage based on the evaluation of their primary and secondary activities.

This work project presents some limitations in terms of the information that is not available for the company. Also, the fact that the interviews were carried out from distance and could not have direct contact with the team might slightly challenge some parts of the analysis.

4. FINDINGS

PHASE ONE

4.1. External Analysis

4.1.1. Pest Analysis

4.1.1.1 Political Factors:

Government Stability: According to The Country Risk Tier (CRT) the UK has very low levels of political risk classified as CTR-1. It means that predictable and transparent legal environment, legal system and business infrastructure and, sophisticated financial system regulation with deep capital markets are considered. (Estimated political stability by country, 27 Aug 2014) Rank 5.

Taxation, employment and safety law: The government is focusing on creating the conditions for private sector investment and growth. Offering a more stable and competitive tax system that provides business with the confidence to invest and expand. It has reformed the tax system to make it more attractive to international business. UK's corporate tax rate for 2013-14 for income exceeding GBP 1,500,000 is 23% compared to the previous 24% rate (A guide to UK taxation, 2013).

Tax allowance reduction for companies investing in R&D in the UK: As global economic activity shifts towards innovation and knowledge, the UK's future prosperity depends on its ability to create and expand scientific and technical expertise. The R&D tax relief scheme is a key part of the Government's strategy to raise overall levels of R&D and improve long-term productivity growth rates in the UK. (Research and Development tax relief, July 2013) Rank 5

Foreign trade regulations: According to heritage organization index, the United Kingdom has an economic freedom score of 74.9 out of 100 being the most free. (Index of economic freedom, 2014) Rank 4.

Government ownership of industry and attitude to monopolies and competition policy:

There is a regulatory structure in the UK based on the regulation of firms and promotion of competition undertaken by the Department for Business Innovation and Skills (BIS), the Office of Fair Trading (OFT), and the Competition Commission. (Guide to Revised Legislation on legislation.gov.uk). Rank 4

'Green' issues that affect the environment: The government is working to protect the environment by reducing greenhouse gas emissions. Their aim is to reduce the UK's greenhouse gas emissions by at least 80% by 2050. They are currently trying to achieve this reduction by moving to a more energy efficient, low-carbon economy. (Oil and gas environment reporting and regulation, October 2014) Rank 2

Level and type of energy consumed - renewable energy: Type of energy consumed in the UK is natural gas, electricity, petroleum, bio-energy and waste, solid fuels and heat sold. The energy use per capita is 3020.31kg. Future changes in energy consumption in the UK are related to the increasing proportion of energy coming from renewable sources. (Future changes to energy consumption in the UK, June 2014) Rank 2

Overall Evaluation of the POLITICAL Factors: The UK performs well on several measures of political factors which can be favourable to the development of businesses, although there is a small threat in factors such as issues that affect the environment, and the level and type of energy consumed, given the possible substitution and the reduction of the oil production, and the use towards alternative sources of energy in the future. However, this does not seem to have any strong impact in the short term, because new sources of energy efficiency such as renewable: solar energy, bio-fuels, wind power, etc will take some time to replace the current one.

4.1.1.2 Economic Factors

Total GDP and GDP per head growth rates (trends): The GDP real growth rate is 0.70% and the GDP - per capita (PPP) is \$ 37,955.11. The United Kingdom is the world's sixth largest economy. Service represents the biggest sector of the economy and accounts for more than 75 percent of total GDP. (Trading economics, 2014) Rank 4.

Inflation: The rate of UK inflation fell to 1.2% in September, being the lowest rate for five years, pushed down by lower energy and food prices. (ONS, 2014) Rank 4.

Consumer expenditure and disposable income: Consumer spending in the United Kingdom increased to 271,761 GBP Million in the second quarter of 2014 from 270,136 GBP Million in the first quarter of 2014. Disposable income is equivalent to 274,988.00 GBP million. (Trading economics, 2014) Rank 4.

Interest rates: The benchmark interest rate in the UK was last recorded at 0.50 percent. It averaged 8.05 Percent from 1971 until 2014. (Trading economics, 2014) Rank 4.

Investment, by the state, private enterprise and foreign companies: Foreign Direct Investment in the UK increased to 13,483 GBP Million in the first quarter of 2014. The Gross Fixed Capital Formation increased to 72,529 GBP Million. (Trading economics, 2014) Rank 4.

Unemployment: Decreased to 6 percent in the three months to August of 2014 from 6.20 percent. (Trading economics, 2014) Rank 4.

Energy costs, transport costs, communications costs: In general terms the cost of energy, communication and raw materials costs is quite expensive. Transportation costs in the UK are higher than anywhere else in Europe. Rank 4

Overall Evaluation of the ECONOMIC Factors: The overall of the economic factors are favourable to companies and investors in general, since the current conditions for growth, the reduced inflation, the decreased unemployment rate and lower interest rates, offers great opportunities for investment and the development of new businesses that would continue to support the economy.

4.1.1.3 Socio-Cultural Factors

Overall Evaluation of the Socio-Cultural Factors: There are two socio-cultural factors that might influence the oil industry. Those are related to a change in consumers lifestyle when attempting to use alternatives source of transportation, or change their attitude towards the reduce energy consumed in their houses etc. The other one is related to the high distribution of income in the country that gives consumers power to afford more goods. Usually people with high incomes spend and consume more, buy new cars, etc. which in opposite to the other, would be favourable to the oil industry.

4.1.1.4 Technological Factors

Government and EU investment policy on research: The UK government is currently investing a lot on research for innovation in cleaner and more efficient fuels, investing up to £5 million in a competition for collaborative R&D projects and feasibility studies. The aim is to improve efficiency, reduce cost and minimize the environmental impact of coal, natural gas and oil by encouraging technological innovation in their extraction and use. A £14 million fund to help businesses develop new products and technologies to reduce carbon emissions, improve energy security and reduce costs. The fund will encourage companies to invest in technologies which help to meet our future energy needs in a more environmentally friendly way, while at the same time boosting

economic growth. (UK government investing in research, innovation and development, 5 November 2014) Rank 2

Government and industry focus on technological effort: The UK government is searching for innovation in energy technologies that are essential for meeting their climate change goal. Rank 2

Speed of change and adoption of new technology: The UK has only 5 per cent of energy coming from renewable sources when compared to other countries such as Iceland with 81 per cent or Norway with 61 per cent. The use of new alternative sources it is taking place slower in comparison with other countries. (I&T magazine, 2014) Rank 4

Overall Evaluation of the TECHNOLOGICAL Factors: It is possible to identify how the UK is investing in technology for developing alternative sources of energy, and how this could represent a threat for the oil industry and relatives. It is important to highlight that the technological advances and the replacement of technologies and solutions is a necessary step to be taken by the government and companies in all the industries in general to reduce environmental impact to improve the use and extraction processes.

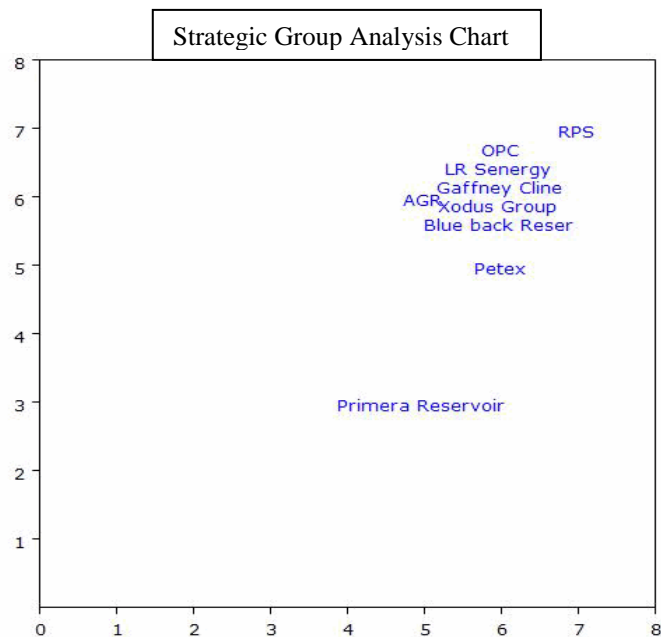
4.1.1.5 Overall Evaluation of the MACRO Environment

After reviewing the external forces that impact the organization it is possible to consider future priorities, and align these activities to the external challenges. Primera Reservoir LTD as a consultant working in the oil industry should pay attention to the political factor, as it plays an important role in shaping its activities. According to information gathered during the analysis, the implementation of alternative source of energy and the reduction of oil and gas consumption in the government is creating more awareness between interested parties. Furthermore, the access to technology and innovation that

are encouraged by the government can represent a threat for the oil industry meaning that sooner or later new measures will have to be implemented. There is a clear shift in the external factor and Primera Reservoir LTD needs to be aware about the threats to successfully shape its activities and focus on the services that will be essential for the development of their business. (Appendix I)

4.1.2. Strategic Group Analysis

Strategic group analysis table (Appendix II)



After conducting the strategic group analysis one can notice how all the competitors are organized. There are two groups classification: the intra-group competition, where there are seven companies concentrated, meaning that they are competing one against the other and have similar profiles, offer similar services, some of them are trading in the stock exchange, some others also have products such as: their own software and additional services such as training courses, some of them are in more than two markets, all of them have global presence and are operating in the business for about 10 years. This is the group where bigger competition exists and where RPS seems to be leading.

The other group is called inter-group competition; it is the smallest group in which Primera Reservoir is indirectly competing with the other group due to the difference in their characteristics. Primera Reservoir is a small company with local presence in the UK, they have limited resources given their recent start and are not well known in the market.

Usually these existing gaps between organizations that indirectly compete can create certain advantages for the isolated firms like Primera Reservoir LTD in this case, given the domain of some specific services, their way of making relationships, the time of delivering the service, the strong level of accuracy provided, or simply by considering what really matters to their clients and meet the expectations, all of these can differentiate them from others in the market. Moreover, the fact that they aim to be recognized as a specialized small company, providing high levels of control to their clients is very favourable given the level of confidence required when dealing with important information of their clients.

Large firms in comparison have advantages in being able to offer broad ranges of services and usually take on more complex projects; they usually have more mechanisms, brand awareness, have already gained some respect from their clients and even their competitors. Although, small firms are able to effectively compete by specializing in the services they provide by doing well what they do- while having the experience and technical capacity they could aim at targeting specific markets where there is potential for maximizing their resources and gaining the confidence and the necessary recognition to continue to grow which would allow them to position themselves in this business.

4.1.3. Industry Life Cycle

According to the collected information it is possible to identify that the industry life cycle is at its maturity stage, due to the time it has been in the market and the large market size achieved from the growth stage. Market demand tends to be limited at this stage, and operational firms in the oil industry will likely compete directly against one another for market share, rather than capturing share for increasing the market size. Some of the implications for organizations operating in this industry are associated to competitive rivalry, where the stronger and well established firms will survive. As a result, a smaller group of potential buyers for the consultancy services firms will be available. Given the magnitude of the projects and investments that are carry out it seem not to affect the decisions of executing projects with X or Y consultancy firms. However, the experience in the oil industry and technical capacity could influence the decision making. The interesting fact about Primera Reservoir LTD as a consultancy firm, they do not have much of the pressure related to unexpected market changes as long as they start planning from the beginning and have a real position of the market, they could always switch services and get specialized in providing the services that will be demanded for buyers. It is important to start planning ahead given the trends and the information already available regarding the exploration and production of oil. Certainly, there has been a decline in oil production and new discoveries, but considering the time Primera Reservoir LTD plan to be in this business, the life cycle of the industry will not directly affect them because there is still room for oil production forecasted to be developed and to design alternative projects that can be profitable. Nonetheless, specific moves have to be anticipated to be able to succeed.

4.1.4. Porter's 5 Forces- (Appendix III)

4.1.4.1 Threat of New Entrants (Entry Barriers)

Factors	Rank	Reason
Differentiation	1	Firms in this industry are not very well differentiated because most of them offer more or less similar services
Brand loyalty	2	It is easy for new entrants to get in because having a recognize brand does not prevent you from entering and do business as long as the technical requires are met.
Start-up capital requirements	1	Low initial investment required to start the business
Legislation or government action	1	The government is supportive to the creation of new business.
Entry deterring price	1	Since the price is usually established based on the size and type of the projects as well as the experience of the service providers, it does not represent any threat.

Conclusion: The threat of new entry is very high given the facilities fostered by the government to the creation of new companies and the support of new investments; this means that is relatively easy for new entrants to get in the market as long as they have the required experience and technical capabilities. Moreover, the fact that the type of business does not require a big initial investment, the brand loyalty does not represent a threat to do business and the location is not an issue because services could be provided from home or at the client's facilities makes it attractive to enter.

4.1.4.2 Threat of substitutes (Determinants of substitution threat)

Factors	Rank	Reason
Relative price/performance of substitutes	1	Given the case buyers decide not to continue to contract outside consultants to analyse the feasibility of certain projects, there is the possibility for buyers to create a new division with local employees in their own facilities at a lower cost. However, the performance of an in-

		house team might not be as good as a specialized consultant in the area; also the time and the level of accuracy provided will have a huge impact when taking decisions.
Willingness of buyers to substitute	2	Many factors can influence the buyer's willingness to substitute the service; this might be the type of project they are looking at, the expected revenues it will generate, as well as the decision to cancel certain projects because external changes are influencing the oil price and it possibly will not be as profitable as they expected and the revenues do not compensate such investment.
Product-for-product substitution (e.g. post mail and e-mail)	2	Current trends in the market driving to new alternatives sources of energy and the buyers switching priorities.

Conclusion: There is a threat of substitutes given the possibility for buyers to replace external consultants over their employees in the company. These substitutes can limit the profit potential of the consultancy industry if a lot of buyers start doing in-house consultancy analysis this will serve as a block on the prices the consultants charge to make a profit. Especially when the price-performance alternative offered by substitutes becomes more attractive which will be the case because they normally pay an annual fixed salary to their employees, it could become more difficult for the consultancy service providers to make any profit. Even though, the cost of having their own teams might be a lot less, the quality and expertise require to develop projects is highly valued. Furthermore, the tendency of alternatives sources of energy in the industry; and the possibility that buyers are looking to integrate different services in which some of the consultants might not be specialists could represent a threat of substitute, the access to get additional experience and knowledge to be able to provide different services and meet buyer's needs would be essential.

4.1.4.3 Determinants of buyer power

Factors	Rank	Reason
Differentiation of the product/service and alternative sources	3	Services purchased from the industry are more or less standard and alternative suppliers are not very easy to find because they will be looking to specific skills, knowledge and experience from the service provider.
Switching costs	3	Little penalty for moving to another supplier
The threat of backward integration by the buyer	2	Buyers looking to obtain the software licenses needed to execute the analysis of the projects using in-house employees

Conclusion: It represents medium bargaining power given that the factors highlighted do not represent a high threat to the consultancy service providers because the buyers do not purchase large volumes of the consultancy services. Although, due to changes in the external environment and the current threats in the oil production and price is possible that the buyers start doing backward integration process, which in this case would limit the profit potential of the consultancy providers.

4.1.4.4 Determinants of supplier power

Factors	Rank	Reason
Importance of suppliers' sales that an industry represents	4	The sales of the software licenses are irrelevant to the industry.
The threat of backward integration by the buyer (the organisation in analysis)	5	Buyers being capable of developing their own software to avoid contracting external consultants, having their own employees to do the job by creating a vertical integration of their business

Conclusion: In some cases specific software licences has to be acquired to support the analysis of some projects. It represents low threat of supplier power given that in many cases this software can be replaced by doing the analysis with different statistical tools, or even by designing their own software, which they are actively working to develop

basic software licences. This section of the analysis does not represent any threat given that there is not presence of powerful suppliers that could reduce the profit potential of the consultancy industry.

4.1.4.5 Competitive rivalry determinants

Factors	Rank	Reason
Market growth rates (life cycle)	3	Market growth rate would depend on the stability of the oil industry. As it is expected to reach the maturity stage of the industry life cycle at some point in the near future, competition will tend to increase between consultancy service providers to gain market share.
Fixed costs	5	This cost does not increase or decrease the amount of services that are provided. The cost of the software licenses have to acquire by the buyer or will be charge by the service provider.
Barriers to exit (fixed costs of exit, emotional attachment, government restrictions, etc)	5	Very low exit barriers for consultancy providers and they are free to exit when conditions of the market are not favourable

Conclusion: Given the existing relevant factors, competitive rivalry is not expected to be a high threat at the moment, since the fixed costs and barriers to exit are favourable to the consultancy service providers in the oil industry. This is an advantage; given the nature of their business there are not necessary fixed costs of exiting or government restrictions in the external factor that would affect them in that sense.

4.1.4.6 Porter's Conclusion

In order to determine the attractiveness of the industry the five forces Porter has been conducted to identify the threats that the company will be facing. According to the analysis carried out, there are favourable and unfavourable factors that make the evaluation of the market be in a moderate degree of profitability. This means that there

are some opportunities and threats that should be carefully study. On the one hand, there is high threat of new entrants, high threat of substitutes and medium buyer's power, but on the other hand, supplier's power represent the least threat and competitive rivalry is low. These forces influence how the company serves its target market and whether it is able to turn a profit. Sometimes, these changes in any of the forces would encourage the companies to re-evaluate its environment and carefully align its new practices.

4.2. Internal Analysis

4.2.1. Resource Audit

4.2.1.1 Human resources

Factors	Rank	Reasons
Number of staff	3	Need to search for new projects. Loads of work and little mechanisms to support more employees
Age distribution	3	High experience comes at a high price
Education	5	Technical staff at Master degree level. Required by the market and potential clients
Skills	4	Reservoir Engineering, Numerical Reservoir Simulation, Integrated asset modelling, Reservoir Monitoring and surveillance, Basic programming
Experience	3	Raging from 0 to 12 years experience in the oil and gas industry
Training (including linguistic skills)	4	Technical courses relevant to the skills above, Software training
Motivation	5	Motivated staff towards technical skills, offering a career plan, growth potential
Turnover	2	Main income source is director of the company through consultancy jobs
Attitudes and cultural awareness	5	Well connected in the local market
Flexibility	2	Time spent on contracts restricts business development
Productivity	3	Time constraint
Remunerations	2	Reduced turnover

Conclusion: According to the information provided from the human factor, the internal analysis is in a neutral position; this means adjustments and improvements can be done in order to improve their performance. Hence, increasing productivity and flexibility while looking to increase the amount of employees would provide greater chances of dealing with future services that would come up, in this way the CEO can have greater support.

4.2.1.2 Physical resources

Factors	Rank	Reasons
<i>Building and equipment:</i>		
Locations	2	No office yet, only office at home outside of central London. Contracting site is also remote to central London, but close to airports
Flexibility	2	Hardware or equipment is not needed
R&D Facilities	2	Not yet
Computer communication and infrastructure	4	Access to communication and available laptops
<i>Materials</i>		
Sources	5	Very little material apart from office material is needed
Quality	5	Quality of the material is not relevant for the final output.
Costs	5	Material can be purchase at a low cost
Availability	5	Easy access
Others	5	Printers, server for the exchange of information, chairs, screams, etc

Conclusion: Physical resources evaluation becomes more complex when evaluating operational firms but in the case of Primera Reservoir LTD as a consult service company some of the physical resources such as buildings location, capacity utilisation and land etc, are not essential for the development of their business given that the main requisite is technical capacity and expertise. However, they do require some office

material that is necessary for the realization of the work that can be obtained with no limitations at all, being of low cost and easy access.

4.2.1.3 Financial resources

Financial resources	Rank	Reasons
Borrowing capacity	2	Start-up. Credit card approved and building up credit record
Internal funds generation	3	Main contract has good rate, but have also high risk
Global accounts	2	Just 2 clients (projects) at the moment
Control systems	3	Working a lot to register HR, Admin, and Finance. Still improving. Need more HR processes
International accounting systems	4	Admin support and active accountants are a plus
Taxation systems	3	Fair

Conclusion: The financial means of the company is in a neutral position, which in this case has certain limitations due to the size of the company and their early stage. As they grow and expand they would be able to support more on the financial leverage.

4.2.1.4 Intangible resources

Factors	Rank	Reasons
Technology- “know how”	4	Good people and training program
Patents and copyrights	2	Not existent patents
Know how	4	Certain skills built and over 10 years of expertise in the field
IT and communication systems (internal and external)	3	Not need much at the moment, but all the technical staff should have a laptop with enough resources
Customer, supplier and competitor information	3	Limited
Internal process information	4	Rely on public cloud but it is enough for the size so far
Relationship with suppliers, distributors and customers	4	Good relations
Brand	2	Working on marketing, website is up, social media just starting. Business development with activities is due to increase.

Price premium		Did not considered before
Organization reputation	2	Not quite there yet. Building up

Conclusion: There are quite a few valuable intangible resources that require more time to be developed by the company. Although, it is essential to be looking at specific aspects such as: customer, suppliers and competitors information to identify threats and opportunities that can be used to overcome internal strength and weaknesses of the company, also to help start to build a competitive advantage.

4.2.2. Value Chain

4.2.2.1 Primary Activities

Activities	Describe and Analyze	Rank
Inbound logistics	N/A	N/A
Operations	Four types of services offered: 1. Reservoir simulation IAM modelling 1.1 integrated asset modelling Currently executing a project in: http://www.nexencnoocltd.com/ 2. Uncertainty analysis and decision analysis 3. Reservoir surveillance 4. Training courses	3
Outbound logistics	How they do business: In-house service. They are settled at their clients facilities	5
Marketing & Sales	Lobbying, SPE meetings, social connections, website, delivery of business cards, LinkedIn, Brochures, etc	3
Customer service	In-house customer service, follow up meetings.	5

Conclusion: Primera Reservoir LTD primary activities are an important source to continue to develop their business and identify some of their core competences that would allow them to establish a competitive advantage in the future. It is important that the company takes advantage of their outbound logistics as they are settled at their clients facilities; this encourages close relationships between parties, gaining trust and dealing with confidential information of their clients. In this type of consultancy

services it is essential to cope with client's needs and understand what their priorities really are keeping a very close communication due to the fact that they are settled at their facilities.

4.2.2.2 Secondary Activities

Activities	Describe and Analyze	Rank
Firm infrastructure	Primera Reservoir LTD is a small firm based in London with no offices or capital equipment, and other infrastructural capital assets under private ownership.	3
Human resource management	HRM is outsourced, but the company is working on creating the structure of the company.	3
Technology development	Currently executing projects with the university and master students. Software development to avoid renting licenses	4
Procurement/Purchasing	Specific software applications needed to conduct the service.	3

Conclusion: The support activities are important sources that can increase the effectiveness and efficiency of the business. Human resources management is outsourced to a different company to facilitate the process of dealing with contracts, payroll area and insurance. Technology development is very important to keep up to date with the trends and changes in the environmental factor, enabling the company to create and find the necessary mechanisms that would be essential to the creation of strategies that are aligned with the market demand.

4.3. SWOT Analysis

Opportunities Government Stability Taxation, employment and safety law The threat of backward integration by the buyer (the organization in analysis) Fixed costs Barriers to exit (fixed costs of exit,	Threats Differentiation Start-up capital requirements Legislation or government action Entry deterring price Relative price/performance of substitutes
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emotional attachment, government restrictions, etc)	
Strengths Education Motivation Attitudes and cultural awareness Sources, Costs, Availability Others-Physical, Outbound logistics Customer service	Weaknesses Number of staff Time

<p align="center">Strengths + opportunities</p> <p>-Partnership with universities to develop projects with masters students -Government reformed the tax system to make it more attractive to investors -Very little material required to execute projects -Tax allowance for R&D -Low barriers to exit and cultural awareness</p>
<p align="center">Weaknesses + opportunities</p> <p>-Employee's experience -Unexpected market swings. Re-focus on consultancy, training and simple long term projects.</p>
<p align="center">Strengths + threats</p> <p>-Capital requirement -Differentiation and education</p>
<p align="center">Weakness + threats</p> <p>-As it is a small consultancy firm the amount of employees could limit the access of new projects that can bring more revenues. -The length of time that is required to develop projects and amount of employees available</p>

PHASE TWO

4.4. Development Strategy

1. Market Penetration/ Consolidation Sell more current services Increase market share Marketing	2. Product Development Alternatives sources of energy New consultancy services Software
3. Market Development America Middle East Australia	4. Diversification N/A

4.4.1 Market Penetration

4.4.1.1 Market Penetration

The company is in a position where mechanisms to increase the current market penetration should be implemented in order to gain more market share and get other clients to contract their consultancy services, in a effort to take sales from competitors and increase brand awareness. If the company will be focused on using their current services to the same market, they should be able make the most of the services they are providing at the moment. However, considering the possibility of moving into new geographical markets would be favourable to the development of Primera Reservoir LTD in the future as new challenges in the external will have to be considered. Nonetheless, the company can simultaneously develop various strategies to cope with the industry, their clients' needs and the changes in the external environment.

4.4.2 Product Development

4.4.2.1. Modified Product Development

The company should consider, in the long term, the customization and specialization in providing consultancy services not only for the oil industry but to the alternative sources of energy that are being analyzed by the government and some other industries. Being aware of their future challenges does not prevent them from focusing on the services they are providing now and are generating revenues. And, if the company start planning before this changes take place they would be more prepared and would be easy for them to adapt and continue to develop their business.

4.4.3. Market Development

4.4.3.1. International Market Development

It is also important to consider alternative markets in the long term where there might be potential opportunities in places such as America, the Middle East and Australia with the development of shale gas, unconventional gas and renewable source of energy projects given the changes in the oil industry and the life cycle, but in order to succeed the company should get specialized in providing consultancy for alternative sources of energy.

5. CONCLUSIONS AND RECOMMENDATIONS

The company should exploit the services they currently provide to more clients while being aware of the challenges. In case they want to focus their efforts on selling more, they require more employees with the necessary skills and capabilities but, given that they do not have the financial resources to effort highly experienced employees, the consideration of external methods such as partnering with other small consultancy companies to complement their services would be the key. Forming strategic alliances with other companies to share resources can effectively help achieve a mutual objective.

It is also essential to keep an eye on the new geographical markets. Sometimes becomes necessary to reconfigure resources in order to effectively apply a growth strategy. It is important that the company keep building some competences and capabilities to sell services and access to new geographical markets in the future.

The importance of this evaluation relies on the strategic actions needed to accomplish company's objectives and purposes; some of the recommendations are related to the creation of mechanisms to identify the competitive advantage of competitors to know what they are doing and be able to track how they are doing it. This would increase the awareness in terms of the important information the company

needs to handle. As a result, taking advantages of the tools to better establish Primera Reservoir LTD's own marketing strategies, forecast the feasibility of their future projects and identify some opportunities in the market that others have not considered. In this way, Primera Reservoir LTD will be more informed about the current strategies and can identify the resources to which it can create their own competitive advantage. However, a possible source of competitive advantage was found in their core competences that place them in the market as a small company that provides high quality consultancy services to clients in their own facilities, increasing informational flow, commitment and trust that exist between both parties. Furthermore, in the case of exiting the market in the future due to unforeseen circumstances, this would not represent bigger losses as they could easily move to a different market by the diversification of their services.

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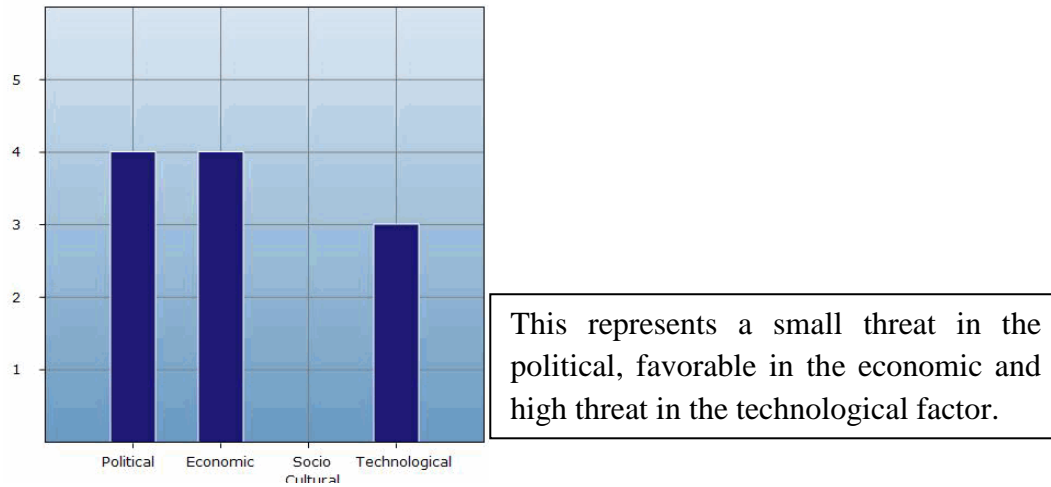
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APPENDIX

Overall Evaluation of the MACRO Environment- Appendix I



Strategic Group Analysis Table- Appendix II

Competitor Name	Technical capacity	Experience in the market	Strategic groups are clusters of organizations within an industry that compete on the basis of a similar positioning, product quality and target very similar customers.
Primera Reservoir LTD	5	3	
OPC	6	6	
LR Senergy	6	6	
Gaffney Cline	6	6	
Xodus Group	6	6	
Blue back Reservoir	6	6	
AGR	5	6	
RPS	7	7	
Petex	6	5	

Porter's Five Forces Chart –Appendix III

